

Kalamazoo Public Library
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kalamazoo Public Library

We have audited the accompanying general purpose financial statements of the Kalamazoo Public Library as of June 30, 2003, and for the year then ended. These general purpose financial statements are the responsibility of the Kalamazoo Public Library management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Public Library as of June 30, 2003, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

The analysis of funding progress of the Employee Retirement System on page 18 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements, listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Kalamazoo Public Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Siegfried Crandall P.C.

October 2, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

Kalamazoo Public Library
COMBINED BALANCE SHEET - all fund types and account groups
June 30, 2003

	<u>Governmental fund types</u>		<u>Governmental fund types</u>		<u>Fiduciary fund types</u>	<u>Account groups</u>		<u>Totals</u>
	<u>General</u>	<u>Special revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Trust and agency</u>	<u>General fixed assets</u>	<u>General long-term debt</u>	<u>(memorandum only)</u>
ASSETS								
Cash	\$ 1,655,974	\$ 265,996	\$ 326,333	\$ 319,391	\$ 330,933	\$ -	\$ -	\$ 2,898,627
Investments	995,330	-	-	129,311	834,982	-	-	1,959,623
Receivables (net of allowance for doubtful accounts):								
Taxes	526,708	-	-	-	-	-	-	526,708
Other	118,815	9,985	-	-	-	-	-	128,800
Due from other funds	-	-	-	1,335	-	-	-	1,335
Due from other governmental units	70,089	-	-	-	-	-	-	70,089
Other assets	148,227	-	-	-	-	-	-	148,227
Beneficial interest in assets held by foundation	-	76,984	-	-	-	-	-	76,984
Fixed assets	-	-	-	-	-	19,546,009	-	19,546,009
Amount available in Debt Service Fund	-	-	-	-	-	-	326,333	326,333
Amounts to be provided for long-term debt	-	-	-	-	-	-	13,004,378	13,004,378
TOTAL ASSETS	\$ 3,515,143	\$ 352,965	\$ 326,333	\$ 450,037	\$ 1,165,915	\$ 19,546,009	\$ 13,330,711	\$ 38,687,113
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Accounts payable	\$ 232,762	\$ 2,561	\$ -	\$ 69,785	\$ -	\$ -	\$ -	\$ 305,108
Deferred revenue	13,842	-	-	-	-	-	-	13,842
Due to other funds	855	480	-	-	-	-	-	1,335
Long-term obligations	-	-	-	-	-	-	13,330,711	13,330,711
Total liabilities	247,459	3,041	-	69,785	-	-	13,330,711	13,650,996
FUND BALANCE:								
Investment in fixed assets	-	-	-	-	-	19,546,009	-	19,546,009
Fund balance:								
Reserved for encumbrances	113,622	-	-	-	-	-	-	113,622
Reserved for children's endowment	-	-	-	-	13,529	-	-	13,529
Unreserved, designated	2,465,000	285,983	326,333	380,252	-	-	-	3,457,568
Unreserved, undesignated	689,062	63,941	-	-	1,152,386	-	-	1,905,389
Total fund balance	3,267,684	349,924	326,333	380,252	1,165,915	19,546,009	-	25,036,117
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,515,143	\$ 352,965	\$ 326,333	\$ 450,037	\$ 1,165,915	\$ 19,546,009	\$ 13,330,711	\$ 38,687,113

See notes to financial statements

Kalamazoo Public Library

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - all governmental fund types**

Year ended June 30, 2003

	<u>General</u>	<u>Special revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (memorandum only)</u>
REVENUES:					
Property taxes	\$ 9,088,910	\$ -	\$ -	\$ -	\$ 9,088,910
IFT/CFT taxes	78,018	-	-	-	78,018
State grants	373,236	3,151	-	-	376,387
Charges for services	151,968	-	-	-	151,968
District court penal fines	332,241	-	-	-	332,241
Investment return	42,432	5,771	6,916	8,215	63,334
Other	207,457	123,495	-	420	331,372
Total revenues	<u>10,274,262</u>	<u>132,417</u>	<u>6,916</u>	<u>8,635</u>	<u>10,422,230</u>
EXPENDITURES:					
Recreation and cultural:					
Salaries	4,028,913	11,563	-	-	4,040,476
Benefits	1,403,033	885	-	-	1,403,918
Materials	842,562	37,748	-	-	880,310
Utilities	206,273	-	-	-	206,273
Supplies	207,256	11,117	-	-	218,373
Facilities management	98,403	-	-	32,880	131,283
Other	1,155,292	96,224	-	-	1,251,516
Capital outlay	140,750	-	-	558,786	699,536
Debt service:					
Principal	-	-	1,443,697	-	1,443,697
Interest	-	-	691,107	-	691,107
Total expenditures	<u>8,082,482</u>	<u>157,537</u>	<u>2,134,804</u>	<u>591,666</u>	<u>10,966,489</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,191,780</u>	<u>(25,120)</u>	<u>(2,127,888)</u>	<u>(583,031)</u>	<u>(544,259)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	6,993	-	2,105,750	110,480	2,223,223
Operating transfers out	(2,215,750)	(7,473)	-	-	(2,223,223)
Total other financing sources (uses)	<u>(2,208,757)</u>	<u>(7,473)</u>	<u>2,105,750</u>	<u>110,480</u>	<u>-</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(16,977)</u>	<u>(32,593)</u>	<u>(22,138)</u>	<u>(472,551)</u>	<u>(544,259)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,284,661</u>	<u>382,517</u>	<u>348,471</u>	<u>852,803</u>	<u>4,868,452</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,267,684</u>	<u>\$ 349,924</u>	<u>\$ 326,333</u>	<u>\$ 380,252</u>	<u>\$ 4,324,193</u>

See notes to financial statements

Kalamazoo Public Library

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - BUDGET AND ACTUAL -general and special revenue funds

Year ended June 30, 2003

	<i>General</i>			<i>Special revenue</i>			<i>Totals (memorandum only)</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES:									
Property taxes	\$ 9,062,897	\$ 9,088,910	\$ 26,013	\$ -	\$ -	\$ -	\$9,062,897	\$ 9,088,910	\$ 26,013
IFT/CFT taxes	79,788	78,018	(1,770)	-	-	-	79,788	78,018	(1,770)
State grants	375,624	373,236	(2,388)	3,152	3,151	(1)	378,776	376,387	(2,389)
Charges for services	143,600	151,968	8,368	-	-	-	143,600	151,968	8,368
District court penal fines	330,000	332,241	2,241	-	-	-	330,000	332,241	2,241
Investment return	40,000	42,432	2,432	2,625	5,771	3,146	42,625	48,203	5,578
Other	206,589	207,457	868	110,581	123,495	12,914	317,170	330,952	13,782
Total revenues	<u>10,238,498</u>	<u>10,274,262</u>	<u>35,764</u>	<u>116,358</u>	<u>132,417</u>	<u>16,059</u>	<u>10,354,856</u>	<u>10,406,679</u>	<u>51,823</u>
EXPENDITURES:									
Recreation and cultural:									
Salaries	4,105,860	4,028,913	76,947	11,563	11,563	-	4,117,423	4,040,476	76,947
Benefits	1,423,780	1,403,033	20,747	885	885	-	1,424,665	1,403,918	20,747
Materials	869,520	842,562	26,958	43,487	37,748	5,739	913,007	880,310	32,697
Utilities	238,166	206,273	31,893	-	-	-	238,166	206,273	31,893
Supplies	225,800	207,256	18,544	12,096	11,117	979	237,896	218,373	19,523
Facilities management	126,873	98,403	28,470	-	-	-	126,873	98,403	28,470
Other	1,285,793	1,155,292	130,501	144,377	96,224	48,153	1,430,170	1,251,516	178,654
Capital outlay	170,686	140,750	29,936	-	-	-	170,686	140,750	29,936
Total expenditures	<u>8,446,478</u>	<u>8,082,482</u>	<u>363,996</u>	<u>212,408</u>	<u>157,537</u>	<u>54,871</u>	<u>8,658,886</u>	<u>8,240,019</u>	<u>418,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,792,020</u>	<u>2,191,780</u>	<u>399,760</u>	<u>(96,050)</u>	<u>(25,120)</u>	<u>70,930</u>	<u>1,695,970</u>	<u>2,166,660</u>	<u>470,690</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	6,993	6,993	-	-	-	-	6,993	6,993	-
Operating transfers out	(2,215,750)	(2,215,750)	-	(7,473)	(7,473)	-	(2,223,223)	(2,223,223)	-
Total other financing uses	<u>(2,208,757)</u>	<u>(2,208,757)</u>	<u>-</u>	<u>(7,473)</u>	<u>(7,473)</u>	<u>-</u>	<u>(2,216,230)</u>	<u>(2,216,230)</u>	<u>-</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(416,737)</u>	<u>(16,977)</u>	<u>399,760</u>	<u>(103,523)</u>	<u>(32,593)</u>	<u>70,930</u>	<u>(520,260)</u>	<u>(49,570)</u>	<u>470,690</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,284,661</u>	<u>3,284,661</u>	<u>-</u>	<u>382,517</u>	<u>382,517</u>	<u>-</u>	<u>3,667,178</u>	<u>3,667,178</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,867,924</u>	<u>\$ 3,267,684</u>	<u>\$ 399,760</u>	<u>\$278,994</u>	<u>\$ 349,924</u>	<u>\$ 70,930</u>	<u>\$3,146,918</u>	<u>\$ 3,617,608</u>	<u>\$ 470,690</u>

See notes to financial statements

Kalamazoo Public Library

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCE - *nonexpendable trust fund***

Year ended June 30, 2003

OPERATING REVENUES:	
Investment income	\$ 64,833
OPERATING EXPENSES	<u>1,917</u>
OPERATING INCOME	62,916
NONOPERATING REVENUES:	
Contributions	<u>445</u>
NET INCOME	63,361
FUND BALANCE - BEGINNING OF YEAR	<u>1,102,554</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,165,915</u></u>

See notes to financial statements

Kalamazoo Public Library

STATEMENT OF CASH FLOWS - *nonexpendable trust fund*

Year ended June 30, 2003

Cash flows from operating activities:	
Interest and dividends earned on investments	\$ 15,796
Payment for account fees	<u>(1,917)</u>
Net cash provided by operating activities	<u>13,879</u>
Cash flows from noncapital financing activities:	
Contributions received	<u>445</u>
Cash flows from investing activities:	
Redemption of investment securities	<u>227,399</u>
Net increase in cash	241,723
Cash - beginning of year	<u>89,210</u>
Cash - end of year	<u>\$ 330,933</u>

See notes to financial statements

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Kalamazoo Public Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

These financial statements contain only the activity of the Kalamazoo Public Library, a district library pursuant to 1989 PA 24, effective April 2, 1990. The participating municipalities include the Kalamazoo School District, the City of Kalamazoo, the Township of Kalamazoo, and the Township of Oshtemo.

In accordance with generally accepted accounting principles and Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Library's financial statements. The Library is not considered a component unit of any other municipality.

b) Basis of presentation:

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Library are recorded in the separate funds and account groups, categorized, and described as follows:

i) Governmental funds:

General Fund - this fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants, and other intergovernmental revenues.

Special revenue funds - these funds are used to account for specific governmental revenues (other than expendable trusts, or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - this fund is used for servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital Projects Fund - this fund is used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ii) Fiduciary funds:

Agency fund - this fund is used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Kalamazoo Public Library Endowment Nonexpendable Trust Fund - this fund is used to account for assets of which the principal may not be spent.

ii) Account groups:

General fixed assets account group - this account group presents the fixed assets of the Library utilized in its general operations.

General long-term debt account group - this account group presents the Library's long-term obligations and the amounts available and required to be provided to retire these liabilities.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The nonexpendable trust fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Library has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

d) Budgets and budgetary accounting:

Budgets are adopted at the function level and are on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The Library follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of resources are recorded to reserve that portion of applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e) Investments:

Investments are reported at market value.

f) Other assets:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

g) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Interest incurred during construction is not capitalized on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

h) Property tax revenue recognition:

Property tax revenues are recognized in the year for which taxes have been levied and become available. Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are considered due on February 14 (75 days after the date levied), at which date the bill becomes delinquent. Real property taxes are collected by the local units until February 28, at which time they are turned over to the County as delinquent. The County remits delinquent real property taxes to the Library by June 30. The Library considers property taxes levied December 1 to be revenues of the current year.

i) Compensated absences:

Vacation leave is accrued as the benefits are earned by the employees and is vested by the employee up to a maximum balance determined by longevity and employee class. At termination of employment, employees are compensated for the balance accrued. Amounts not expected to be liquidated with expendable, available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Sick leave benefits accumulate, but do not vest and are not payable upon termination of employment. No liability is reported for unpaid accumulated sick leave.

j) Fund equity:

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

k) Totals (memorandum only):

The total column on the combined statements is captioned "memorandum only" to indicate that it is prepared only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e) Investments:

Investments are reported at market value.

f) Other assets:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

g) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Interest incurred during construction is not capitalized on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS:

A reconciliation of cash and investments, as shown in the combined balance sheet, to the Library's deposits and investments is as follows:

Financial statements:

Cash	\$2,898,627
Investments	<u>1,959,623</u>
	<u>\$4,858,250</u>

Notes to financial statements:

Deposits with financial institutions	\$2,897,857
Investments	1,959,623
Cash on hand	<u>770</u>
	<u>\$4,858,250</u>

a) Deposits with financial institutions:

At June 30, 2003, the Library has deposits with a carrying amount of \$2,897,857 and a bank balance of \$3,076,558. Of the bank balance, \$569,104 is covered by federal depository insurance and \$2,507,454 is uninsured.

b) Investments:

State statutes authorize the Library to invest in; a) obligations of the U.S. Treasury, agencies, and instrumentalities, b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days, c) repurchase agreements, collateralized by U.S. governmental securities, d) bankers' acceptances, and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper.

The Library's investments are categorized as follows to give an indication of the level of risk assumed by the Library at year-end. Categorized investments include investments that are insured, registered, or for which the Library or its agent in the Library's name holds the securities.

Categorized:

\$1,000,000 Commercial paper (GMAC)	\$995,330
Corporate debentures	126,890
Corporate equities	556,230
U.S. Government securities	151,862
Repurchase agreements	<u>129,311</u>
	<u>\$1,959,623</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - MONIES HELD BY FOUNDATION:

Amounts shown as beneficial interest in assets held by foundation represent monies placed with the Kalamazoo Community Foundation (foundation) by the Library, specifying itself as the beneficiary. The Library and the foundation are unrelated entities. The Library has the right, at any time, to receive from the foundation all or a portion of the current balance of such monies held by the foundation. The foundation, as custodian of such funds, continues to report the funds as assets of the foundation, with a corresponding liability, agency non-endowed funds. The Library reports this asset at the present value of future payments expected to be received.

Additionally, funds for the benefit of the Library have been established at the foundation for the receipt of gifts from donors other than the Library. The terms of these funds allow annual distributions of gifts and or income thereon, subject to the foundation's unilateral variance power to redirect distributions. No asset is recorded for these funds, other than the annual grant (if any). During the year ended June 30, 2003, there were no grants received from these funds. The balance in these funds as of June 30, 2003 was \$30,447.

NOTE 4 - GENERAL FIXED ASSETS:

A summary of changes in general fixed assets is as follows:

	<i>Balance July <u>1, 2002</u></i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance June <u>30, 2003</u></i>
Land	\$ 133,173	\$ -	\$ -	\$ 133,173
Buildings and improvements	15,812,619	-	-	15,812,619
Equipment	<u>3,743,320</u>	<u>240,788</u>	<u>383,891</u>	<u>3,600,217</u>
	<u>\$19,689,112</u>	<u>\$240,788</u>	<u>\$383,891</u>	<u>\$19,546,009</u>

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE:

The amount of interfund receivable and payable at June 30, 2003, is as follows:

<i><u>Fund</u></i>	<i><u>Interfund receivable</u></i>	<i><u>Fund</u></i>	<i><u>Interfund payable</u></i>
Capital Projects	<u>\$ 1,335</u>	General	\$ 855
		Gifts & Memorials -	
		Capital & Technology	<u>480</u>
			<u>\$1,335</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFINED BENEFIT PENSION PLANS:

a) Available plans and covered employees:

Library employees who participated in the Michigan Public School Employees' Retirement System (MPSERS), a multi-employer public employee retirement system, while being employees of the School District, are allowed by state statute to continue their participation in the MPSERS or to elect to participate in the Municipal Employees' Retirement System (MERS), an agent multi-employer public employee retirement system. New employees of the Library, as of April 2, 1990, can only participate in the MERS.

b) MPSERS:

Plan description:

The Library contributes to the Michigan Public School Employees' Retirement Plan (the Plan), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Michigan Public School Employees' Retirement System (MPSERS). MPSERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Article 30 of the Regulations of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPSERS Board of Trustees. The MPSERS issues a publicly-available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8103 or by calling 1-800-381-5111.

Funding policy:

As of October 1, 1998, the Library is required to contribute 10.77% of its annual covered payroll (11.12% prior to September 30, 1998). The contribution requirements of the Plan members are established, and may be amended, by the MPSERS Board of Trustees. The Library's contributions to the Plan for the years ending June 30, 2003, 2002, and 2001 were \$277,851, \$263,016, and \$264,008, respectively, equal to the required contributions for each year.

c) MERS:

Description of plan and plan assets:

The Library's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Library's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Kalamazoo Public Library. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued):

i) Funding policy:

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially determined rate; the current rate is 3% to 5% of annual covered payroll depending on the plan. The contribution requirements of plan members and the commission are established, and may be amended, by MERS.

c) MERS:

Description of plan and plan assets:

ii) Annual pension cost:

For the year ended June 30, 2003, the Library contributions were \$120,782, which were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.50% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

iii) Trend information:

<i><u>Fiscal year ended June 30,</u></i>	<i><u>Annual pension cost (APC)</u></i>	<i><u>Percentage of APC contributed</u></i>	<i><u>Net pension obligation</u></i>
2001	\$ 114,608	100%	\$ -
2002	125,485	100%	-
2003	120,782	100%	-

NOTE 7 - LONG-TERM OBLIGATIONS:

The following is a summary of debt transactions of the Library for the year ended June 30, 2003:

	<i><u>Balance July 1, 2002</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i><u>Balance June 30, 2003</u></i>
Contracts and bonds payable	\$14,580,885	\$ -	\$1,443,697	\$13,137,188
Accrued compensated absences	<u>193,815</u>	<u>-</u>	<u>292</u>	<u>193,523</u>
	<u>\$14,774,700</u>	<u>\$ -</u>	<u>\$1,443,989</u>	<u>\$13,330,711</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued):

Contracts and bonds payable at June 30, 2003, is comprised of the following:

\$2,700,000 1995 Library facility limited tax general obligation bonds, due in annual installments of \$250,000 to \$375,000, beginning May 1, 1998 through May 1, 2005; interest payable at 4.1% to 4.8%	\$750,000
\$13,300,000 1996 Library facility limited tax general obligation bonds, due in annual installments of \$425,000 to \$1,000,000, beginning May 1, 1999 through May 1, 2014; interest payable at 3.9% to 5.4%	10,525,000
\$1,700,000 1997 Library equipment limited tax general obligation bonds, due in annual installments of \$250,000 to \$350,000, beginning May 1, 2000 through May 1, 2005; interest payable at 4.375% to 4.6%	575,000
\$99,809 Tax settlement assessment payable, Pharmacia Corporation, due in annual installments of \$22,943, beginning February 1, 2002 through February 1, 2006; with imputed interest payable at 5.25%	62,188
\$1,250,000 2002 Library facility limited tax general obligation bonds, due in annual installments of \$25,000 to \$300,000, beginning May 1, 2003 through May 1, 2010; interest payable at 3% to 4%	<u>1,225,000</u>
	<u>\$13,137,188</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued):

The annual debt service requirements for debt outstanding as of June 30, 2003, are as follows:

	<u>Bonds</u>
2004	\$ 2,125,446
2005	2,036,371
2006	1,654,771
2007	1,635,407
2008	1,636,117
Thereafter	<u>7,748,357</u>
	16,836,469
Interest included thereon	<u>(3,699,281)</u>
	<u>\$13,137,188</u>

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The Library is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance. Insurance coverage includes protection for buildings and contents up to a limit of \$33,808,423; workers' compensation coverage is limited to \$1,000,000; and general liability limits are \$3,000,000 per occurrence.

NOTE 9 - CONTINGENCIES:

The Library is contingently liable, at June 30, 2003, for approximately \$965,438 of non-vested accumulated sick pay benefits (unadjusted for attrition).

Consumers Energy Company has challenged its assessed valuation of the personal property that it owns in the State of Michigan, including property it owns within the Library district for the years 1997, 1998, and 1999. The specific issue involved is the true cash value of the personal property. It is reasonably possible that the court's decision may result unfavorably on the Library and result in an estimated loss of approximately \$115,000.

REQUIRED SUPPLEMENTARY INFORMATION

**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System
(Municipal Employees' Retirement System of Michigan)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated.

Schedule of Funding Progress

<i>Actuarial valuation date <u>December 31</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Underfunded (overfunded) AAL(UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
1993	\$ 31,076	\$ 64,365	\$ 33,289	48%	\$ 176,901	19%
1994	48,485	91,132	42,647	53%	187,244	23%
1995	73,298	134,594	61,296	54%	216,502	28%
1996	107,192	194,226	87,034	55%	333,119	26%
1997	151,000	250,609	99,609	60%	439,487	23%
1998	206,456	331,562	125,106	62%	609,291	21%
1999	307,305	435,593	128,288	71%	882,641	15%
2000	441,943	605,061	163,118	73%	1,000,672	16%
2001	612,316	792,085	179,769	77%	1,096,708	16%
2002	787,550	1,093,129	305,579	72%	1,258,430	25%

SUPPLEMENTARY INFORMATION

Kalamazoo Public Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - General Fund**

Year ended June 30, 2003

	<u>2003</u>			<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Property taxes	\$ 9,062,897	\$ 9,088,910	\$ 26,013	\$ 8,511,429
IFT/CFT taxes	79,788	78,018	(1,770)	139,733
State grants	375,624	373,236	(2,388)	378,777
Charges for services	143,600	151,968	8,368	306,218
District court penal fines	330,000	332,241	2,241	336,637
Investment return	40,000	42,432	2,432	53,503
Other	206,589	207,457	868	67,841
Total revenues	<u>10,238,498</u>	<u>10,274,262</u>	<u>35,764</u>	<u>9,794,138</u>
EXPENDITURES:				
Recreation and cultural:				
Salaries	4,105,860	4,028,913	76,947	3,846,845
Benefits	1,423,780	1,403,033	20,747	1,287,397
Materials	869,520	842,562	26,958	812,123
Utilities	238,166	206,273	31,893	319,142
Supplies	225,800	207,256	18,544	189,475
Facilities management	126,873	98,403	28,470	126,043
Other	1,285,793	1,155,292	130,501	896,621
Capital outlay	170,686	140,750	29,936	147,383
Total expenditures	<u>8,446,478</u>	<u>8,082,482</u>	<u>363,996</u>	<u>7,625,029</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,792,020</u>	<u>2,191,780</u>	<u>399,760</u>	<u>2,169,109</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
Friends Gifts Fund	6,993	6,993	-	2,500
Operating transfers out:				
Debt Service Fund	<u>(2,215,750)</u>	<u>(2,215,750)</u>	<u>-</u>	<u>(1,970,250)</u>
Total other financing uses	<u>(2,208,757)</u>	<u>(2,208,757)</u>	<u>-</u>	<u>(1,967,750)</u>

Kalamazoo Public Library

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended June 30, 2003

	<u>2003</u>			<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (416,737)	\$ (16,977)	\$ 399,760	\$ 201,359
FUND BALANCE - BEGINNING OF YEAR	<u>3,284,661</u>	<u>3,284,661</u>	<u>-</u>	<u>3,083,302</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,867,924</u>	<u>\$ 3,267,684</u>	<u>\$ 399,760</u>	<u>\$ 3,284,661</u>

Kalamazoo Public Library
COMBINING BALANCE SHEET -special revenue funds
June 30, 2003

	<i>Friends Gifts</i>	<i>B. Friedman Gift</i>	<i>History Room</i>	<i>Gifts</i>	<i>Ready to Read</i>	<i>Non-profit Services</i>	<i>Gifts & Memorials- Capital and Technology</i>	<i>Gifts & Memorials- Materials</i>	<i>Derby Memorial</i>	<i>Lillian Anderson Gift</i>	<i>Gifts & Memorials- Programs</i>	<i>LSTA Service to the Underserved</i>	<i>Reading Together</i>	<i>Totals (memorandum only)</i>
ASSETS														
Cash	\$ 3,409	\$ 18,541	\$ -	\$ 50,504	\$ 98,351	\$ 1,075	\$ 480	\$ 39,390	\$ 15,906	\$ 36,574	\$ 5,411	\$ (9,985)	\$ 6,340	\$ 265,996
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	9,985	-	9,985
Beneficial interest in assets held by foundation	-	-	68,236	-	-	-	-	8,748	-	-	-	-	-	76,984
TOTAL ASSETS	\$ 3,409	\$ 18,541	\$ 68,236	\$ 50,504	\$ 98,351	\$ 1,075	\$ 480	\$ 48,138	\$ 15,906	\$ 36,574	\$ 5,411	\$ -	\$ 6,340	\$ 352,965
LIABILITIES AND FUND BALANCE														
LIABILITIES:														
Accounts payable	\$ 570	\$ -	\$ -	\$ 454	\$ 1,040	\$ -	\$ -	\$ 497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,561
Due to other funds	-	-	-	-	-	-	480	-	-	-	-	-	-	480
Total liabilities	570	-	-	454	1,040	-	480	497	-	-	-	-	-	3,041
FUND BALANCE:														
Designated	2,839	18,541	68,236	-	97,311	1,075	-	33,750	15,906	36,574	5,411	-	6,340	285,983
Undesignated	-	-	-	50,050	-	-	-	13,891	-	-	-	-	-	63,941
Total fund balance	2,839	18,541	68,236	50,050	97,311	1,075	-	47,641	15,906	36,574	5,411	-	6,340	349,924
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,409	\$ 18,541	\$ 68,236	\$ 50,504	\$ 98,351	\$ 1,075	\$ 480	\$ 48,138	\$ 15,906	\$ 36,574	\$ 5,411	\$ -	\$ 6,340	\$ 352,965

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - special revenue funds**

Year ended June 30, 2003

	<u>Friends Gifts</u>	<u>B. Friedman Gift</u>	<u>History Room</u>	<u>Gifts</u>	<u>Ready to Read</u>	<u>Non-profit Services</u>	<u>Gifts & Memorials- Capital and Technology</u>	<u>Gifts & Memorials- Materials</u>	<u>Derby Memorial</u>	<u>Lillian Anderson Gift</u>	<u>Gifts & Memorials- Programs</u>	<u>LSTA Service to the Underserved</u>	<u>Reading Together</u>	<u>Totals (memorandum only)</u>
REVENUES:														
State grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,151	\$ -	\$ 3,151
Investment return	-	290	2,421	861	1,297	-	-	709	193	-	-	-	-	5,771
Other	<u>8,197</u>	<u>-</u>	<u>1,000</u>	<u>11,675</u>	<u>48,527</u>	<u>-</u>	<u>310</u>	<u>13,666</u>	<u>2,400</u>	<u>30</u>	<u>3,000</u>	<u>-</u>	<u>34,690</u>	<u>123,495</u>
Total revenues	<u>8,197</u>	<u>290</u>	<u>3,421</u>	<u>12,536</u>	<u>49,824</u>	<u>-</u>	<u>310</u>	<u>14,375</u>	<u>2,593</u>	<u>30</u>	<u>3,000</u>	<u>3,151</u>	<u>34,690</u>	<u>132,417</u>
EXPENDITURES:														
Recreation and cultural:														
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	11,563	11,563
Benefits	-	-	-	-	-	-	-	-	-	-	-	-	885	885
Materials	-	-	-	296	23,294	1,504	-	8,438	-	-	-	1,558	2,658	37,748
Supplies	-	-	-	2,461	6,160	-	-	-	-	-	-	-	2,496	11,117
Other	<u>18,236</u>	<u>3,275</u>	<u>-</u>	<u>29,619</u>	<u>12,177</u>	<u>-</u>	<u>-</u>	<u>12,839</u>	<u>-</u>	<u>2,800</u>	<u>4,937</u>	<u>1,593</u>	<u>10,748</u>	<u>96,224</u>
Total expenditures	<u>18,236</u>	<u>3,275</u>	<u>-</u>	<u>32,376</u>	<u>41,631</u>	<u>1,504</u>	<u>-</u>	<u>21,277</u>	<u>-</u>	<u>2,800</u>	<u>4,937</u>	<u>3,151</u>	<u>28,350</u>	<u>157,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,039)</u>	<u>(2,985)</u>	<u>3,421</u>	<u>(19,840)</u>	<u>8,193</u>	<u>(1,504)</u>	<u>310</u>	<u>(6,902)</u>	<u>2,593</u>	<u>(2,770)</u>	<u>(1,937)</u>	<u>-</u>	<u>6,340</u>	<u>(25,120)</u>
OTHER FINANCING USES:														
Operating transfers out	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(480)</u>	<u>(2,861)</u>	<u>-</u>	<u>-</u>	<u>(1,132)</u>	<u>-</u>	<u>-</u>	<u>(7,473)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(13,039)</u>	<u>(2,985)</u>	<u>3,421</u>	<u>(19,840)</u>	<u>8,193</u>	<u>(1,504)</u>	<u>(170)</u>	<u>(9,763)</u>	<u>2,593</u>	<u>(2,770)</u>	<u>(3,069)</u>	<u>-</u>	<u>6,340</u>	<u>(32,593)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>15,878</u>	<u>21,526</u>	<u>64,815</u>	<u>69,890</u>	<u>89,118</u>	<u>2,579</u>	<u>170</u>	<u>57,404</u>	<u>13,313</u>	<u>39,344</u>	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>382,517</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,839</u>	<u>\$ 18,541</u>	<u>\$ 68,236</u>	<u>\$ 50,050</u>	<u>\$ 97,311</u>	<u>\$ 1,075</u>	<u>\$ -</u>	<u>\$ 47,641</u>	<u>\$ 15,906</u>	<u>\$ 36,574</u>	<u>\$ 5,411</u>	<u>\$ -</u>	<u>\$ 6,340</u>	<u>\$ 349,924</u>

Kalamazoo Public Library**COMBINING BALANCE SHEET - *trust and agency funds****June 30, 2003*

	<i>Nonexpendable Trust</i>	<i>Agency</i>	<i>Totals (memorandum only)</i>
	<i>Kalamazoo Public Library Endowment</i>	<i>Public Library Funding - Michigan</i>	
ASSETS			
Cash	\$ 330,933	\$ -	\$ 330,933
Investments	<u>834,982</u>	<u>-</u>	<u>834,982</u>
TOTAL ASSETS	<u>\$ 1,165,915</u>	<u>\$ -</u>	<u>\$ 1,165,915</u>
FUND BALANCE			
FUND BALANCE:			
Reserved for children's endowment	13,529	-	13,529
Unreserved, undesignated	<u>1,152,386</u>	<u>-</u>	<u>1,152,386</u>
TOTAL FUND BALANCE	<u>\$ 1,165,915</u>	<u>\$ -</u>	<u>\$ 1,165,915</u>

Kalamazoo Public Library**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - Agency Fund***Year ended June 30, 2003*

	<i>Balance July <u>1, 2002</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i>Balance June <u>30, 2003</u></i>
PUBLIC LIBRARY FUNDING - MICHIGAN				
ASSETS				
Cash	<u>\$ 6,362</u>	<u>\$ 51</u>	<u>\$ 6,413</u>	<u>\$ -</u>
LIABILITIES				
Due to other governmental units	<u>\$ 6,362</u>	<u>\$ 51</u>	<u>\$ 6,413</u>	<u>\$ -</u>

Kalamazoo Public Library

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
BALANCE - *Kalamazoo Public Library Endowment Nonexpendable
Trust Fund***

Year ended June 30, 2003

OPERATING REVENUES:	
Investment return	<u>\$ 64,833</u>
OPERATING EXPENSES:	
Account fees	<u> 1,917</u>
OPERATING INCOME	62,916
NONOPERATING REVENUES:	
Contributions	<u> 445</u>
NET INCOME	63,361
FUND BALANCE - BEGINNING OF YEAR	<u>1,102,554</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,165,915</u></u>